BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CLINTON TOWNSHIP, MICHIGAN

ARMADA FREE PUBLIC LIBRARY

Armada, Michigan
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
PREPARED IN ACCORDANCE WITH GASB 34
December 31, 2006

Michigan Department of Treasury 496 (02/06) Auditing Procedures Report

Local Unit of Government Type County County City Twp Village XOther ARMADA FREE PUBLIC LIBRARY MACOMB Fiscal Year End 12/31/2006 06/18/2007 Date Audit Report Submitted to State 06/29/2007					
Fiscal Year End Opinion Date Date Audit Report Submitted to State					
''					
12/31/2000					
We affirm that:					
We are certified public accountants licensed to practice in Michigan.					
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).	;				
양 오 Check each applicable box below. (See instructions for further detail.)	Check each applicable box below. (See instructions for further detail.)				
1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed reporting entity notes to the financial statements as necessary.	l in the				
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.					
3. 🗵 🗌 The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.					
4. 🗵 🗌 The local unit has adopted a budget for all required funds.					
5. 🗵 🗌 A public hearing on the budget was held in accordance with State statute.					
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, other guidance as issued by the Local Audit and Finance Division.	or				
7. 🗵 🗌 The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.					
8. 🗵 🗌 The local unit only holds deposits/investments that comply with statutory requirements.					
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin).					
10. 🗵 🔲 There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.					
11. 🗷 🔲 The local unit is free of repeated comments from previous years.					
12. 🗵 🔲 The audit opinion is UNQUALIFIED.					
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).					
14. 🗵 📋 The board or council approves all invoices prior to payment as required by charter or statute.					
15. 🗵 🔲 To our knowledge, bank reconciliations that were reviewed were performed timely.					
If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission. I, the undersigned, certify that this statement is complete and accurate in all respects.					
We have enclosed the following: Enclosed Not Required (enter a brief justification)					
Financial Statements					
The letter of Comments and Recommendations					
Other (Describe)					
Certified Public Accountant (Firm Name) BUSS & COMPANY, P.C. Telephone Number 586-263-8200					
Street Address City State Zip					
42550 GARFIELD, SUITE 105 CLINTON TWP. MI 48038					
Authorizing CPA Signature Printed Name License Number JOSEPH BRANDENBURG 1101020178					
JOSEPH BRANDENBURG 1101020178					

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS CLINTON TOWNSHIP, MICHIGAN

ARMADA FREE PUBLIC LIBRARY
Armada, Michigan
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CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

INDEPENDENT AUDITOR'S REPORT

June 18, 2007

Board of Trustees Armada Free Public Library Armada, Michigan

Honorable Members:

We have audited the accompanying financial statements of the Armada Free Public Library, as of December 31, 2006, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I A, the financial statements present only the Armada Free Public Library and are not intended to present fairly the financial position and changes in financial position for the year then ended of Township of Armada, County of Macomb, Michigan, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Armada Free Public Library as of December 31, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Buss & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Board of Trustees Armada Free Public Library June 18, 2007 Page 2

The management's discussion and analysis on pages 3 through 4 and budgetary comparison schedule on page 16, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Respectfully,

BUSS & COMPANY, P.C.

Que Company, PC Certified Public Advountants

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ARMADA FREE PUBLIC LIBRARY Armada, Michigan MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2006

Using this Annual Report

This annual report consists of three parts - Management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of the Library:

- The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The governmental fund financial statements include information on the Library under the modified accrual method. These Fund Financial Statements
 focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Condensed Financial Information

In a condensed format, the table below shows a comparison of key financial information for the current year to the prior year.

	<u>2006</u>	2005
Current assets Capital assets Total Assets	\$ 560,308	\$ 538,753 <u>486,027</u> \$1,024,780
Other liabilities Total Liabilities	\$ 258,610 \$ 258,610	\$ 238,791 \$ 238,791
Net Assets: Invested in capital assets, net of related debt Unrestricted Total Net Assets	\$ 510,749 301,698 \$ 812,447	\$ 486,027 299,962 \$ 785,989
Revenue: Property taxes Other Total Revenue	\$ 230,749 35,442 \$ 266,191	\$ 220,688 41,834 \$ 262,522
Expenses - Library services	239,733	242,888
Change in Net Assets	<u>\$ 26,458</u>	<u>\$ 19,634</u>

(Continued)

ARMADA FREE PUBLIC LIBRARY Armada, Michigan MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED December 31, 2006

The Library as a Whole

- The Library's net assets increased by \$26,458 this year. The primary reason for the increase is the growth of the Library's property tax base, which increased 4.6% from the prior year.
- · The Library's primary source of revenue is from property taxes, which represents 87% of total revenue.
- · Total expenses were 90% of total revenue for 2006. Salaries amount to approximately 43% of total expenses.

The Library's Fund

Our analysis of the Library's fund is included on pages 7 and 9. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. All of the Library's activities are reported in a single fund.

The fund balance of the Library increased during the current year by \$1,888. The increase exceeded the budgeted decrease of \$40,000 by \$41,888. Budgeted revenues exceeded actual revenues by \$3,809. Budgeted expenditures exceeded actual expenditures by \$45,697 due primarily to over estimating the costs of salaries and wages, capital outlay, and building repairs and maintenance.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant changes were in contract maintenance, building repairs and maintenance, and capital outlay.

Capital Assets

At the end of the fiscal year, the Library had \$994,475 invested in land, buildings and improvements, furniture and fixtures, equipment, and books and materials. The Library added \$72,868 in new collection items consisting of new books, audio/visual materials, computer equipment, and building improvements.

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the Township. We, however, need to continue to watch our budget very closely. Expenditures that will be especially important in the coming year include employee compensation, because it is such a significant portion of the Library's operating budget.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director, at 73930 Church Street, Armada, Michigan 48005.

Exhibit 1

Buss & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ARMADA FREE PUBLIC LIBRARY Armada, Michigan STATEMENT OF NET ASSETS December 31, 2006

ASSETS

Cash and cash equivalents Certificates of deposit Taxes receivable Due from other governmental units Prepaids and other assets Capital assets	\$ 89,949 149,159 245,078 71,125 4,997
Total Assets	<u>\$1,071,057</u>
LIABILITIES	
Accounts payable and accrued liabilities Accumulated employee benefits Deferred revenue	\$ 8,335 5,197 245,078
Total Liabilities	<u>\$_258,610</u>
NET ASSETS	
Invested in capital assets, net of related debt Unrestricted	\$ 510,749 301,698
Total Net Assets	\$ 812.447

See accompanying notes to financial statements.

Exhibit 2

\$812,447

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS CLINTON TOWNSHIP, MICHIGAN

FUNCTION/PROGRAM:

Governmental Activities:

Library services/operations

ARMADA FREE PUBLIC LIBRARY Armada, Michigan STATEMENT OF ACTIVITIES

Year Ended December 31, 2006 NET (EXPENSE) REVENUE AND CHANGES PROGRAM REVENUES IN NET ASSETS -CHARGES FOR GOVERNMENTAL **EXPENSES** SERVICES OPERATING GRANTS ACTIVITIES \$239,733 **\$** 5,864 <u>\$ 5,166</u> (\$228,703) **GENERAL REVENUES:** Property taxes \$230,749 State revenues 13,188 Interest on investments 11,224 Total General Revenues \$255,161 CHANGE IN NET ASSETS \$ 26,458 NET_ASSETS: Beginning of year _785,989

See accompanying notes to financial statements.

End of year

BUSS & COMPANY, P.C. CERTIFIED PUBLIC ACCOUNTANTS CLINTON TOWNSHIP, MICHIGAN	ARMADA FREE PUBLIC LIBRARY Armada, Michiqan COMPARATIVE BALANCE SHEET December 31, 2006 and 2005		Exhibit 3
<u>ASSETS</u>		<u>2006</u>	2005
Cash and cash equivalents Investments Taxes receivable Prepaid expense Due from other governmental units Total Assets		\$ 89,949 149,159 245,078 4,997 71,125	\$ 51,281 163,869 229,170 5,766 88,667
LIABILITIES AND FUND BALANCE		<u>\$560,308</u>	<u>\$538,753</u>
LIABILITIES: Accounts payable Accrued payroll and payroll taxes Deferred Revenue - Property taxes Total Liabilities		\$ 5,130 3,205 <u>245,078</u> \$253,413	\$ 4,576 229,170 \$233,746
FUND BALANCE: Reserved for prepaid expense Unreserved, Undesignated Total Fund Balance		\$ 4,997 301,898 \$306,895	\$ 5,766 299,241 \$305,007
Total Liabilities and Fund Balance		<u>\$</u> 560,308	\$538 753

See accompanying notes to financial statements.

\$560,308

<u>\$538,753</u>

Buss & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ARMADA FREE PUBLIC LIBRARY

Armada, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS

For The Year Ended December 31, 2006

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS

\$306,895

Exhibit 4

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

The cost of capital assets is Accumulated depreciation

\$994,475 _483,726

Total

510,749

Accumulated employee leave benefits are not due and payable in the current period and therefore are not reported in governmental funds

 $(_{5,197})$

NET ASSETS - FULL ACCRUAL BASIS

\$812<u>447</u>

See accompanying notes to financial statements.

Buss & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS CLINTON TOWNSHIP, MICHIGAN

See accompanying notes to financial statements.

ARMADA FREE PUBLIC LIBRARY Armada, Michigan COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE For The Years Ended December 31, 2006 and 2005

Exhibit 5

	<u>2006</u>	2005
REVENUES:		
Property taxes		
Penal fines	\$230,749	\$220,688
State aid	8,576	9,387
State revenue sharing	4,612	5,553
Library fines	-	6,149
Interest and investment earnings	2,998	3,419
Lost and damaged material	11,224	7,367
Gifts and memorials	227	222
Copy machine	1,145	820
Facsimile machine	575	589
Meeting room rental	323	408
Miscellaneous	-	225
Centralized purchasing credit	596	1,072
constructing create	5,166	6,623
Total Revenues		
, , , , , , , , , , , , , , , , , , ,	<u>\$266,191</u>	\$ 262,522
EXPENDITURES:		
Current:		
Salaries		
Payroll taxes	\$102,768	\$ 98,788
Library materials	7,862	7,357
On-line database	27,492	31,437
Utilities	3,678	2,463
Telephone	10,676	11,049
Supplies	1,353	1,424
Insurance and bonds	5,803	4,252
Contract maintenance	7,508	7,352
Building repair and maintenance	-	12,928
Staff development, membership, and travel	19,937	23,342
Audit and other professional fees	1,967	1,416
Program fees	3,040	2,750
Automated services	792	1,206
Cooperative services	18,874	18,994
Miscellaneous	2,306	2,776
Capital outlay	691	455
	<u>49,556</u>	7 <u>, 949</u>
Total Expenditures	* 764.202	
·	<u>\$264,303</u>	<u>\$235,938</u>
EXCESS OF REVENUES OVER EXPENDITURES	t 2 000	
	\$ 1,888	\$ 26,584
FUND BALANCE - JANUARY 1	205 007	
	305,007	<u>278,423</u>
FUND BALANCE ~ DECEMBER 31	£206 BDL	
	<u>\$306, 895</u>	<u>\$305,007</u>

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CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, M'CHIGAN

Exhibit 6

ARMADA FREE PUBLIC LIBRARY

Armada, Michigan

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2006

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS

\$ 1.888

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Capital outlay Depreciation expense

\$ 72,868 (48,146)

Total

24.722

Expenses for employee leave benefits are recorded when earned in the statement of activities:

Reversal of employee leave benefits earned in prior years Employee leave benefits at year end

5 5,045 (5,197)

Total Effect of Employee Leave Benefits

(152)

CHANGE IN NET ASSETS - FULL ACCRUAL BASIS

<u>\$ 26,458</u>

See accompanying notes to financial statements.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ARMADA FREE PUBLIC LIBRARY Armada, Michigan NOTES TO FINANCIAL STATEMENTS December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Armada Free Public Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Library is located in the Township of Armada, Michigan and is governed by an elected six-member board. The Library was formed under P.A. 164 of 1877. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board and include only the results of operations of the Library.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts - invested in capital assets, net of related debt; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Library reports all of its activities in a single fund on the modified accrual basis.

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CERTIFIED PUBLIC ACCOUNTANTS

CLINTON TOWNSHIP MICHIGAN

ARMADA FREE PUBLIC LIBRARY Armada, Michigan NOTES TO FINANCIAL STATEMENTS, CONTINUED December 31, 2006

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments - The Library has defined cash and cash equivalents to include cash on hand, demand deposits and short-term investments with original maturities of three months or less. Investments are reported at fair value.

Receivables and Payables - Property taxes receivable represent uncollected property taxes levied on December 1, 2006.

Property taxes are levied on each December 1st on the taxable value of property (as defined by state statutes) located in Armada Township.

Although the Library's 2006 property tax is levied and collectible on December 1, 2006, it is the Library's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Township totals \$232,093,659, on which ad valorem taxes levied consisted of 1.0577 mills for Library operations, raising \$245,078 for Library operating purposes. This amount is recognized in the financial statements as taxes receivable with an offsetting credit to deferred revenue. Taxes receivable has been reduced for amounts received during 2006.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond two years, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment Improvements Library books and materials 5-20 years 20-40 years 7 years

Compensated Absences - Certain employees of the Library earn leave benefits on an annual basis. A liability for annual leave benefits has been accrued in the government-wide financial statements. A liability for these amounts is not reported in the General Fund as of year end.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses.

(Continued)

ARMADA FREE PUBLIC LIBRARY Armada, Michiqan NOTES TO FINANCIAL STATEMENTS, CONTINUED December 31, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the Library. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended December 31, 2006, the Library did not incur any expenditures in certain budgeted line items that were in excess of the amounts appropriated.

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Library in accordance with Public Act 20 of 1943 (as amended) authorizes investments in U.S. Treasuries, U.S. Agencies, instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), investment pools and mutual funds.

At year-end the Library's deposits and investments were reported in the basic financial statements in the following categories:

 Cash and cash equivalents
 \$ 89,949

 Investments
 149,159

 Total
 \$239,108

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CERTIFIED PUBLIC ACCOUNTANTS

CLINTON TOWNSHIP, MICHIGAN

ARMADA FREE PUBLIC LIBRARY Armada, Michigan NOTES TO FINANCIAL STATEMENTS, CONTINUED December 31, 2006

A. DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)

\$239,108

The Library's cash and investments are subject to certain types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk.

At year end, bank deposits were reflected in the accounts of the bank at \$255,722. Of that amount, \$196,563 was covered by federal depository insurance and \$59,159 was uninsured and uncollateralized. The Library believes that due to dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution it deposits Library funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

B. DUE FROM OTHER GOVERNMENTAL UNITS

The balance at December 31, 2006 consists primarily of amounts due from Armada Township.

C. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2006 follows:

NON-DEPRECIABLE ASSETS:	<u>BEGINNING</u> <u>BALANCE</u>	ADDITIONS	DELETIONS	ENDING BALANCE
Land	<u>\$ 37,500</u>	<u>s - </u>	<u>s</u> -	<u>\$ 37,500</u>
DEPRECIABLE ASSETS:				
Buildings and improvements	\$ 520,875	\$ 29,051	S -	\$549,926
Furniture and equipment	187,890	16,325	-	204,215
Circulating materials	<u> 199,273</u>	<u>27,492</u>	<u>23,931</u>	202,834
Total Depreciable Assets	\$908,038	\$ 72,868	<u>\$ 23,931</u>	\$ 956,975
Total Assets	<u>\$945,538</u>	<u>\$ 72,868</u>	<u>\$ 23,931</u>	<u>\$994,475</u>
ACCUMULATED DEPRECIATION:				
Buildings and improvements	\$195,683	\$ 14,258	\$ -	\$209,941
Furniture and equipment	155,750	8,648		164,398
Circulating materials	108,078	<u>25,240</u>	<u>23,931</u>	109,387
Total Accumulated Depreciation	<u>\$459,511</u>	<u>\$ 48,146</u>	<u>\$ 23,931</u>	<u>\$483,726</u>
Total Capital Assets, Net	<u>\$486,027</u>	<u>\$ 24,722</u>	<u>s - </u>	<u>\$510,749</u>

(Continued)

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CEINTON TOWNSHIP, MICHIGAN

ARMADA FREE PUBLIC LIBRARY Armada, Michigan NOTES TO FINANCIAL STATEMENTS, CONTINUED December 31, 2006

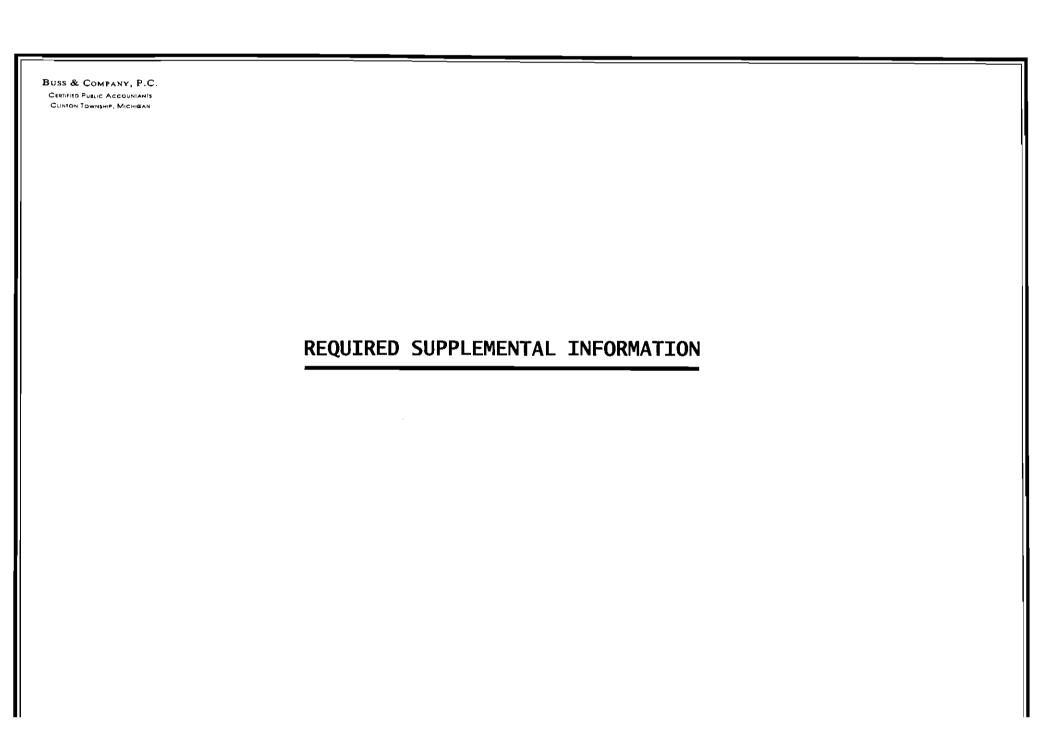
IV. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The Library's plan administrator, ICMA Retirement Corporation, has created a trust and placed the plan assets within the trust. As a result, the plan assets are insulated from the Library's general creditors. Thus, the plan assets are not reported in the Library's financial statements as the Library does not have any fiduciary or administrative responsibility for the plan assets.

V. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover these losses.



BUSS & COMPANY, P.C. CERTIFIED PUBLIC ACCOUNTANTS CUNTON TOWNSHIP, MICHIGAN

ARMADA FREE PUBLIC LIBRARY Armada, Michigan BUDGETARY COMPARISON SCHEDULE

For The Year Ended December 31, 2006

	BUDGETED AMOUNTS		<u>ACTUAL</u> AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE
	<u>ORIGINAL</u>	<u>FINAL</u>	(BUDGETARY BASIS)	(NEGATIVE)
REVENUES:				
Property taxes	\$229,000	\$229,000	\$230,749	\$ 1,749
Penal fines	7,000	7,000	8,576	1,576
State aid	6,000	6,000	4,612	(1,388)
State revenue sharing	6,000	6,000	-	(6,000)
Charges, fees and fines	3,000	3,000	2,998	(2)
Interest and investment earnings	6,000	6,000	11,224	5,224
Centralized purchasing credit	5,000	5,000	5,166	166
Miscellaneous	8,000	8,000	2,866	(<u>5,134</u>)
Total Revenues	<u>\$270,000</u>	<u>\$270,000</u>	<u>\$266,191</u>	(<u>\$ 3,809</u>)
EXPENDITURES:				
Salaries and wages	\$115,000	\$ 115,000	\$102,768	\$ 12,232
Payroll taxes	8,000	8,000	7,862	138
Library materials	31,000	31,000	27,492	3,508
Databases, on-line	4,000	4,000	3,678	322
Utilities	12,000	12,000	10,676	1,324
Telephone	2,000	2,000	1,353	647
Supplies	6,000	6,000	5,803	197
Insurance	9,000	8,000	7,508	492
Contract maintenance	20,000	-	= _	=
Building repairs and maintenance	15,000	30,000	19,937	10,063
Staff development	4,000	4,000	1,967	2,033
Legal and accounting	6,000	4,000	3,040	960
Programs	2,000	2,000	792	1,208
Automated services	20,000	20,000	18,874	1,126
State aid payment	3,000	3,000	2,306	694
Miscellaneous	3,000	3,000	691	2,309
Capital outlay	10,000	58,000	<u>49,556</u>	8,444
Total Expenditures	<u>\$270,000</u>	<u>\$310,000</u>	<u>\$264,303</u>	<u>\$ 45,697</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>s - </u>	(<u>\$ 40,000</u>)	<u>\$ 1,888</u>	\$ 41,888

See accompanying notes to financial statements.

Buss OMPANY,

Certified Public Accountants 42550 Garfield, Suite 105 Clinton Township, Michigan 48038

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Randy A. Carlier, C.P.A Thomas J. Thomas, C.P.A. Joseph M. Brandenburg, C.P.A Paul K. Burback, C.P.A. John E. Gideon, C.P.A.

Armada, Michigan

Armada Free Public Library

To the Library Board

June 18, 2007

MEMBERS

The American Institute of Certified Public Accountants

The Michigan Association of Certified Public Accountants

in conjunction with audit for the year Supplemental System and Internal **Control Comments and Recommendations** ended December 31, 2006

₽ 6:

Honorable Members

the year ended December 31, 2006, we considered its internal control structure in order to determine our the assertions of management in the financial statements Armada Free Public Library's ability to record, process, summarize and report financial data consistent with provide auditing procedures for the purpose of expressing our opinion on the financial statements and not to In planning and performing our audit of the financial statements of Armada Free Public Library for assurance on the internal control structure. The following items are presented that could affect

Assistance With the Preparation of Financial Statements

significant deficiency or material weakness standards requires us to evaluate whether this is a potential control deficiency and report same if it is 잌 the case of the Library. expertise Governmental units often utilized the auditor to assist in preparing the financial statements. in financial accounting and reporting. Governmental units have followed this practice for expediency and the utilization Recent changes in generally accepted auditing This is

would be reviewed and signed off by the Library with auditor response to any questions provided to the Library together with a checklist of significant reporting matters. The draft and checklist accounting and reporting matters. This communication would be during the interim as well as year end The This is initiatives might include ongoing communications between the Library and the auditor regarding The foregoing practice may be a significant deficiency that could be remedied with certain initiatives not far from current practice. In addition, a draft of the year end financial statements would be

Armada Free Public Library June 18, 2007 Page 2

Budgeting

appropriation. During the year ended December 31, 2006, the Library did not incur expenditures in excess the original budget (general appropriations act), be approved by the Board with a transfer or supplemental of 1978. We have reviewed the budgets for compliance with the Uniform Budgeting and Accounting Act P.A. 621 of the amounts appropriated by the Board in any accounts The Library has established an effective budgeting process which is used to control expenditures. The act requires that expenditures in a specific appropriations account beyond the amount of

Fund Balance

General Fund equity increased to \$306,895 at December 31, 2006 During 2006, the Library's General Fund revenues exceeded expenditures by \$1,888. As a result,

circumstances without affecting the level of programs for the year. The Library's unreserved, undesignated fund equity is equal to approximately 114% of expenditures, or 59 weeks of operation undesignated. , portion of the fund equity, \$4,997, is reserved for prepaid expenses and \$301,898 is unreserved By maintaining an appropriate fund equity, the Library is able to meet unforeseen

of public record not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter management, and others within the administration of the Armada Free Public Library. This restriction is This communication ß. intended solely for the information and use of the Board of Trustees,

We appreciate the cooperation of the Library staff and trustees during our audit

Respectfully submitted,

BUSS & COMPANY, P.C

Certified Public Accountants